

**CHETOPA – ST. PAUL
UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS**

For the Fiscal Year Ended June 30, 2011

Statutory Basis Financial Statements
Independent Auditors' Report
with Supplemental Information

**CHETOPA – ST. PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS**

TABLE OF CONTENTS

FINANCIAL SECTION	<u>PAGE NUMBER</u>
Independent Auditors' Report.....	1 - 2
Statement 1	
Summary of Cash Receipts, Expenditures, and Unencumbered Cash	3 - 4
Statement 2	
Summary of Expenditures - Actual and Budget (Budgeted Funds Only)	5
Statement 3	
Statement of Cash Receipts and Expenditures - Actual and Budget	
General Fund.....	6
Supplemental General Fund.....	7
4 Yr. Old At Risk Fund.....	8
K-12 At Risk Fund.....	9
Virtual Education Fund.....	10
Capital Outlay Fund.....	11
Driver Education Fund.....	12
Food Service Fund.....	13
Professional Development Fund.....	14
Summer School Fund.....	15
Special Education Fund.....	16
Vocational Education Fund.....	17
KPERS Special Retirement Fund.....	18
Contingency Reserve Fund.....	19
Textbook Rental Fund.....	20
Title I Fund.....	21
Title II D Fund.....	22
Rural Grant Fund.....	23
Title II A Fund.....	24
TRC Grant Fund.....	25
Title IV Fund.....	26
Mini-grants Fund.....	27
Bond and Interest Fund.....	28
Capital Projects Fund.....	29
Aptus Grant Fund.....	30
Lessley Scholarship Funds.....	31

**CHETOPA – ST. PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS**

TABLE OF CONTENTS
(Continued)

	<u>PAGE NUMBER</u>
FINANCIAL SECTION - (Continued)	
Statement 4	
Statement of Cash Receipts and Cash Disbursements - Agency Funds	32
Statement 5	
Summary of Cash Receipts, Expenditures, and Unencumbered Cash – District Activity Funds	33
Notes to the Financial Statements	34 - 45
 SUPPLEMENTAL INFORMATION	
Schedule 1	
Schedule of Cash Receipts, Cash Disbursements and Cash Balances - Chetopa High School Activity Funds	46
St. Paul High School Activity Funds	47
 FEDERAL COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards	48
Independent Auditors' Report on Compliance and Internal Control Over Compliance With Requirements Applicable to Major Federal Awards Programs	49 - 50
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on the Audit of the Financial Statements in Accordance with <i>Government Auditing Standards</i>	51 - 52
Schedule of Findings and Questioned Costs	53 – 54
Corrective Action Plan	55

Diehl Banwart Bolton

Certified Public Accountants PA

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Chetopa – St. Paul Unified School District #505
Chetopa, Kansas

We have audited the accompanying financial statements of the Chetopa – St. Paul Unified School District #505, Chetopa, Kansas, as of June 30, 2011, and for the year then ended. These financial statements are the responsibility of Chetopa – St. Paul Unified School District #505 management. Our responsibility is to express an opinion on these financial statements based on our audit. The comparative information for the fiscal year ended June 30, 2010 has been derived from the District's June 30, 2010 financial statements and, in our report dated November 15, 2010, we expressed an unqualified opinion on the primary government financial statements prepared in accordance with the statutory basis of accounting.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in **Government Auditing Standards** issued by the Comptroller General of the United States, and the **Kansas Municipal Audit Guide**. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Chetopa – St. Paul Unified School District #505, Chetopa, Kansas, as of June 30, 2011, or the results of its operations, for the fiscal year then ended. Further, the District has not presented managements' discussion and analysis that has been determined under accounting principles generally accepted in the United States as necessary to supplement, although not required to be a part of, the basic financial statements.

Board of Education
Chetopa – St. Paul Unified School District #505
Chetopa, Kansas

Also, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the Chetopa – St. Paul Unified School District #505, as of June 30, 2011, and its cash receipts, cash disbursements, and expenditures compared to budget, for the year then ended, on the basis of accounting described in Note 1.

In accordance with **Government Auditing Standards**, we have also issued reports dated October 25, 2011, on our consideration of the District's internal control structure and on its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the District. The accompanying Schedule of Expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is also not a required part of the financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds taken as a whole.

Diehl Banwart Bolton CPA's PA

DIEHL, BANWART, BOLTON, CPAs PA

October 25, 2011
Pittsburg, Kansas

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Fiscal Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balances	Prior Year Cancelled Encumbrance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balances	Plus Encumbrances and Accounts Payable	Cash Balances June 30, 2011	Cash Balances June 30, 2010
GOVERNMENTAL TYPE FUNDS								
General Fund	(\$524,264)	-	\$4,019,683	\$3,888,011	(\$392,592)	\$115,586	(\$277,006)	(\$407,432)
Special Revenue Funds								
Supplemental General	(130,897)	-	1,499,228	1,373,337	(5,007)	127,924	122,917	(21,787)
4 Yr Old At Risk	45,023	-	-	19,577	25,446	-	25,446	45,023
K -12 At Risk	32,694	-	450,000	450,701	31,992	25,022	57,014	40,790
Virtual Education	20,178	-	45,000	47,847	17,331	-	17,331	20,178
Capital Outlay	938,764	-	157,724	241,287	855,201	133,985	989,186	983,313
Driver Education	39,560	-	5,049	10,295	34,315	1,802	36,116	40,398
Food Service	115,071	715	250,492	275,524	90,754	30,172	120,926	131,235
Professional Development	50,613	-	5,200	20,881	34,932	8,276	43,208	56,675
Summer School	30,228	-	-	-	30,228	-	30,228	30,228
Special Education	228,328	-	596,933	632,131	193,130	2,928	196,059	229,107
Vocational Education	60,827	-	95,000	111,538	44,289	4,252	48,541	64,340
KPERS Special Retirement	-	-	211,983	211,983	-	-	-	-
Contingency Reserve	449,416	-	-	-	449,416	-	449,416	449,416
Title I	-	-	211,376	211,376	-	1,308	1,308	5,426
Title IID	3,380	-	564	3,944	-	2,337	2,337	3,380
Rural Grant	-	-	31,452	31,452	-	8,145	8,145	-
Title IIA	-	-	24,732	24,732	-	19,906	19,906	16,515
TRC Grant	268	-	45,000	45,268	-	13,550	13,550	7,066
Title IV	-	-	-	-	-	-	-	2,515
Mini-grants	5,181	-	-	363	4,818	-	4,818	5,181
Textbook	111,651	-	2,538	4,050	110,139	2,890	113,030	114,015
District Activity Funds	3,259	-	53,635	51,446	5,448	-	5,448	3,259
Debt Service Funds								
Bond and Interest	280,871	-	417,414	449,131	249,154	-	249,154	280,871
Capital Projects Fund	39,525	-	-	32,903	6,621	15,841	22,462	364,885
Fiduciary Type Funds								
Aptus Grant	378	-	-	-	378	-	378	378
Lessley Scholarship	5,320	-	20,065	20,000	5,385	-	5,385	5,320
Total Reporting Entity	\$1,805,374	\$715	\$8,143,069	\$8,157,778	\$1,791,379	\$513,923	\$2,305,302	\$2,470,296

The notes to the financial statements are an integral part of this statement.

Statement 1 (Continued)

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Fiscal Year Ended June 30, 2011

	Cash Balances	
	June 30,	2010
	2011	2010
Composition of Cash		
District Checking Accounts.....	\$2,293,969	\$2,460,947
Activity Checking Accounts.....	81,051	58,494
Activity Certificates of Deposit.....	13,885	15,820
Petty Cash.....	1,500	298
Total Cash	2,390,405	2,535,559
Agency Funds per Statement 4	(85,103)	(65,264)
Total Reporting Entity.....	\$2,305,302	\$2,470,295

The notes to the financial statements are an integral part of this statement.

**CHESTOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHESTOPA, KANSAS**

**Summary of Expenditures - Actual and Budget (Budgeted Funds Only)
For the Fiscal Year Ended June 30, 2011**

Funds	Certified Budget	Adjustment to Comply with Legal Maximum	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures		Variance - Favorable (Unfavorable)
					Charged to Current Year Budget	Budget	
GOVERNMENTAL TYPE FUNDS							
General Fund	\$4,122,731	(\$245,967)	\$11,247	\$3,888,011	\$3,888,011		-
Special Revenue Funds							
Supplemental General	1,357,548	(43,354)	59,143	1,373,337	1,373,337		-
4 Yr Old At Risk	80,023	-	-	80,023	19,577		60,446
K -12 At Risk	562,694	-	-	562,694	450,701		111,993
Virtual Education	115,178	-	-	115,178	47,847		67,331
Capital Outlay	982,207	-	-	982,207	241,287		740,920
Driver Education	57,360	-	-	57,360	10,295		47,065
Food Service	466,859	-	-	466,859	275,524		191,335
Professoianl Development	70,613	-	-	70,613	20,881		49,732
Summer School	40,228	-	-	40,228	-		40,228
Special Education	892,181	-	-	892,181	632,131		260,050
Vocational Education	235,827	-	-	235,827	111,538		124,289
KPERS Special Retirement	292,507	-	-	292,507	211,983		80,524
Debt Service Funds							
Bond and Interest	449,232	-	-	449,232	449,131		101
	<u>\$9,725,188</u>						

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
GENERAL FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	\$210,440	\$209,686	\$200,075	\$9,611
Delinquent tax	4,813	6,631	7,661	(1,030)
Mineral tax	307	279	-	279
Reimbursement	16,654	11,247	-	11,247
State Sources				
General aid	3,177,335	3,126,074	3,327,545	(201,471)
Special ed aid	586,314	463,706	514,000	(50,294)
Federal Sources				
Education Jobs Fund	-	128,610	-	128,610
ARRA Stabilization	196,619	73,450	73,450	-
Total Cash Receipts	<u>4,192,481</u>	<u>4,019,683</u>	<u>\$4,122,731</u>	<u>(\$103,048)</u>
Expenditures				
Instruction	1,748,209	1,817,375	\$1,713,000	(\$104,375)
Support Services				
Student Support	129,988	21,005	138,000	116,995
Instructional Support	136,138	84,694	114,150	29,456
General Administration	122,712	139,586	134,000	(5,586)
School Administration	87,083	41,182	49,000	7,818
Operations and Maintenance	526,227	561,053	524,005	(37,048)
Transportation	136,091	135,181	139,500	4,319
Other Supplemental Service	94,936	94,935	141,076	46,141
Operating transfers to:				
Vocational Education	25,000	35,000	35,000	-
Capital Outlay	106,504	3,000	-	(3,000)
Food Service	-	-	-	-
Professional Development	-	-	-	-
Special Education	432,000	465,000	515,000	50,000
4 Yr Old At Risk	17,000	-	25,000	25,000
K-12 At Risk	500,000	450,000	530,000	80,000
Contingency Reserve	-	-	-	-
Virtual Education	45,000	40,000	65,000	25,000
Adjustments to Budget For:				
Legal Max Budget Adjustment	-	-	(245,967)	(245,967)
Reimbursed Expenses	-	-	11,247	11,247
Total Expenditures	<u>4,106,888</u>	<u>3,888,011</u>	<u>\$3,888,011</u>	<u>-</u>
Subject to Budget				
Receipts Over (Under) Expenditures	85,593	131,672		
Unencumbered Cash, Beginning	<u>(609,857)</u>	<u>(524,264)</u>		
Unencumbered Cash, Ending	<u>(\$524,264)</u>	<u>(\$392,592)</u>		

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
SUPPLEMENTAL GENERAL FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad Valorem	\$374,369	\$361,263	\$378,061	(\$16,798)
Delinquent tax	9,353	12,082	14,030	(1,948)
Motor vehicle tax	56,464	59,724	55,945	3,779
Reimbursements	62,626	59,143	-	59,143
State Sources				
Supplemental aid	686,587	1,007,016	912,603	94,413
Federal Sources				
ARRA Stabilization	235,127	-	-	-
Total Cash Receipts	<u>1,424,526</u>	<u>1,499,228</u>	<u>\$1,360,639</u>	<u>\$138,589</u>
Expenditures				
Instruction	538,895	617,549	565,948	(\$51,601)
Support Services				
Student Support	401	116,299	500	(115,799)
Instructional Support	3,637	47,133	5,000	(42,133)
General Administration	134,887	143,322	164,000	20,678
School Administration	164,954	156,365	162,100	5,735
Operations & Maintenance	28,209	22,106	25,000	2,894
Transportation	-	-	-	-
Other Supplemental Services	49,668	48,897	-	(48,897)
Operating Transfers to Other Funds				
Professional Development	30,000	5,000	20,000	15,000
Virtual Education	20,000	5,000	30,000	25,000
Summer School	-	-	10,000	10,000
Food Service	40,000	20,000	60,000	40,000
Special Education	216,148	131,667	150,000	18,333
Textbook Rental	30,000	-	-	-
Drivers Education	10,000	-	15,000	15,000
4 Yr Old At Risk	45,000	-	10,000	10,000
K - 12 At Risk	20,000	-	-	-
Vocational Education	105,000	60,000	140,000	80,000
Adjustments to Budget For:				
Legal Max Budget Adjustment			(43,354)	(43,354)
Reimbursed Expenses			59,143	59,143
Total Expenditures Subject to Budget	<u>1,436,798</u>	<u>1,373,337</u>	<u>\$1,373,337</u>	<u>-</u>
Receipts Over (Under) Expenditures	(12,272)	125,890		
Unencumbered Cash, Beginning	<u>(118,625)</u>	<u>(130,897)</u>		
Unencumbered Cash, Ending	<u>(\$130,897)</u>	<u>(\$5,007)</u>		

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
4 YEAR OLD AT RISK FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Interest	-	-	-	-
Operating Transfers from Other Funds				
Supplemental General	45,000	-	10,000	(10,000)
General	17,000	-	25,000	(25,000)
Total Cash Receipts	62,000	-	\$35,000	(\$35,000)
Expenditures				
Instructional Support	31,977	19,577	\$80,023	\$60,446
Total Expenditures	31,977	19,577	\$80,023	\$60,446
Receipts Over (Under) Expenditures	30,023	(19,577)		
Unencumbered Cash, Beginning	15,000	45,023		
Unencumbered Cash, Ending	\$45,023	\$25,446		

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
K - 12 AT RISK FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Miscellaneous	-	-	-	-
Operating Transfers from Other Funds				
General	500,000	450,000	530,000	(80,000)
Supplemental General	20,000	-	-	-
Total Cash Receipts	520,000	450,000	\$530,000	(\$80,000)
Expenditures				
Instruction	496,195	447,597	\$557,694	\$110,097
Instructional Support	1,513	3,105	5,000	1,895
Total Expenditures	497,708	450,701	\$562,694	\$111,993
Receipts Over (Under) Expenditures	22,292	(701)		
Unencumbered Cash, Beginning	10,402	32,694		
Unencumbered Cash, Ending	\$32,694	\$31,992		

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
VIRTUAL EDUCATION FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Operating Transfers from Other Funds				
General	\$45,000	\$40,000	\$65,000	(\$25,000)
Supplemental General	20,000	5,000	30,000	(25,000)
Total Cash Receipts	65,000	45,000	\$95,000	(\$50,000)
Expenditures				
Instruction	44,822	47,847	\$115,178	\$67,331
Total Expenditures	44,822	47,847	\$115,178	\$67,331
Receipts Over (Under) Expenditures	20,178	(2,847)		
Unencumbered Cash, Beginning	-	20,178		
Unencumbered Cash, Ending	\$20,178	\$17,331		

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
CAPITAL OUTLAY FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	\$38,784	\$37,866	\$37,055	\$811
Delinquent tax	1,717	1,835	1,397	438
Motor vehicle tax	11,085	9,364	8,887	477
Interest on idle funds	4,583	4,458	-	4,458
Other	174,824	101,200	-	101,200
State Sources				
State Aid	-	-	-	-
Operating Transfer from General Fund	106,504	3,000	-	3,000
Total Cash Receipts	<u>337,497</u>	<u>157,724</u>	<u>\$47,339</u>	<u>\$110,385</u>
Expenditures				
Instruction	15,541	17,097	\$262,207	\$245,110
Support Services	47,069	30,495	420,000	389,505
Facility Acquisition	120,357	193,695	300,000	106,305
Total Expenditures	<u>182,967</u>	<u>241,287</u>	<u>\$982,207</u>	<u>\$740,920</u>
Receipts Over (Under) Expenditures	154,530	(83,563)		
Unencumbered Cash, Beginning	784,029	938,764		
Prior Year Cancelled Encumbrances	205	-		
Unencumbered Cash, Ending	<u>\$938,764</u>	<u>\$855,201</u>		

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
DRIVER EDUCATION FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Other	\$2,041	\$2,311	-	\$2,311
State Sources				
State aid	1,900	2,738	2,800	(62)
Operating Transfer from Supplemental General Fund	10,000	-	15,000	(15,000)
Total Cash Receipts	13,941	5,049	\$17,800	(\$12,751)
Expenditures				
Instruction	7,398	9,020	\$37,360	\$28,340
Support Services				
Operations and Maintenance	838	1,275	20,000	18,725
Total Expenditures	8,236	10,295	\$57,360	\$47,065
Receipts Over (Under) Expenditures	5,705	(5,246)		
Unencumbered Cash, Beginning	33,855	39,560		
Unencumbered Cash, Ending	<u>\$39,560</u>	<u>\$34,315</u>		

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
FOOD SERVICE FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Students	\$48,512	\$53,314	\$65,175	(\$11,861)
Adults	5,725	-	9,450	(9,450)
Other	1,296	960	-	960
Interest on Idle Funds	-	-	-	-
State Sources				
Food service aid	2,848	2,760	3,046	(286)
Federal Sources				
Child nutrition aid	190,097	168,987	214,496	(45,509)
Fresh Fruits & Vegetables Grant	-	4,472	214,496	(210,024)
Operating Transfer from Other Funds				
General	-	-	-	-
Supplemental General	40,000	20,000	60,000	(40,000)
Total Cash Receipts	288,479	250,492	\$566,663	(\$316,171)
Expenditures				
Support Services				
Operations and Maintenance	-	-	-	-
Operation of Non-Instructional Services				
Food Service Operations	271,004	275,524	466,859	191,335
Total Expenditures	271,004	275,524	\$466,859	\$191,335
Receipts Over (Under) Expenditures	17,474	(25,032)		
Unencumbered Cash, Beginning	97,091	115,071		
Prior Year Cancelled Encumbrance	505	715		
Unencumbered Cash, Ending	\$115,071	\$90,754		

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
PROFESSIONAL DEVELOPMENT FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Other	-	\$200	-	\$200
State Sources				
State Aid	-	-	-	-
Operating Transfer from General Fund	-	-	-	-
Supplemental General	30,000	5,000	20,000	(15,000)
Total Cash Receipts	30,000	5,200	\$20,000	(\$14,800)
Expenditures				
Support Services				
Instructional Support Staff	18,247	20,881	\$70,613	\$49,732
Total Expenditures	18,247	20,881	\$70,613	\$49,732
Receipts Over (Under) Expenditures	11,753	(15,681)		
Unencumbered Cash, Beginning	37,202	50,613		
Prior Year Cancelled Encumbrance	1,658	-		
Unencumbered Cash, Ending	\$50,613	\$34,932		

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
SUMMER SCHOOL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Operating transfers from Supplemental General Fund	-	-	\$10,000	(\$10,000)
Total Cash Receipts	-	-	\$10,000	(\$10,000)
Expenditures				
Instruction	-	-	40,228	40,228
Total Expenditures	-	-	\$40,228	\$40,228
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	30,228	30,228		
Unencumbered Cash, Ending	<u>\$30,228</u>	<u>\$30,228</u>		

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
SPECIAL EDUCATION FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Other	\$2,090	\$266	-	\$266
Operating Transfers from Other Funds				
General	432,000	465,000	515,000	(50,000)
Supplemental General	216,148	131,667	150,000	(18,333)
Total Cash Receipts	650,238	596,933	\$665,000	(\$68,067)
Expenditures				
Instruction	572,360	593,290	\$798,181	\$204,891
Support Services				
Transportation	29,189	38,842	94,000	55,158
Total Expenditures	601,550	632,131	\$892,181	\$260,050
Receipts Over (Under) Expenditures	48,688	(35,198)		
Unencumbered Cash, Beginning	179,640	228,328		
Unencumbered Cash, Ending	\$228,328	\$193,130		

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
VOCATIONAL EDUCATION FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Miscellaneous Receipts	-	-	-	-
Operating Transfer from Supplemental General General Fund	105,000 25,000	60,000 35,000	140,000 35,000	(80,000) -
Total Cash Receipts	130,000	95,000	\$175,000	(\$80,000)
Expenditures				
Instruction	110,819	111,538	\$235,827	\$124,289
Total Expenditures	110,819	111,538	\$235,827	\$124,289
Receipts Over (Under) Expenditures	19,181	(16,538)		
Unencumbered Cash, Beginning	41,536	60,827		
Prior Year Cancelled Encumbrance	110	-		
Unencumbered Cash, Ending	\$60,827	\$44,289		

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS

KPERS SPECIAL RETIREMENT FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
State Sources				
State Aid	\$243,755	\$211,983	\$292,507	(\$80,524)
Total Cash Receipts	243,755	211,983	\$292,507	(\$80,524)
Expenditures				
Instruction	181,467	165,347	\$212,107	\$46,760
Student Support	6,112	4,240	9,100	4,860
Instructional Support	10,988	8,479	9,100	621
General Administration	6,112	4,240	9,500	5,260
School Administration	10,988	8,479	15,000	6,521
Other Supplemental Services	3,675	2,120	3,100	980
Operations & Maintenance	9,750	8,479	13,500	5,021
Student Transportation Services	7,313	6,359	8,100	1,741
Food Service	7,350	4,240	13,000	8,760
Total Expenditures	243,755	211,983	\$292,507	\$80,524
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	-	-		

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
CONTINGENCY RESERVE FUND
 Statement of Cash Receipts and Expenditures - Actual
 For the Fiscal Year Ended June 30, 2011
 (With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Operating Transfer from General Fund	-	-
Total Cash Receipts	-	-
Expenditures		
Instruction	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	449,416	449,416
Unencumbered Cash, Ending	<u>\$449,416</u>	<u>\$449,416</u>

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
TEXTBOOK RENTAL FUND
Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Textbook Rental	\$4,578	\$2,538
Operating transfers from Supplemental General Fund	30,000	-
Total Cash Receipts	34,578	2,538
Expenditures		
Instruction	15,682	4,050
Total Expenditures	15,682	4,050
Receipts Over (Under) Expenditures	18,895	(1,512)
Unencumbered Cash, Beginning	92,756	111,651
Prior Year Cancelled Encumbrance	-	-
Unencumbered Cash, Ending	<u>\$111,651</u>	<u>\$110,139</u>

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
TITLE I FUND

Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$173,582	\$132,994
ARRA federal aid	42,779	78,382
Total Cash Receipts	<u>216,361</u>	<u>211,376</u>
Expenditures		
Instruction	216,361	211,376
General Administration	<u>-</u>	<u>-</u>
Total Expenditures	<u>216,361</u>	<u>211,376</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>-</u></u>	<u><u>-</u></u>

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
TITLE IID FUND

Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Current Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$1,593	\$564
ARRA federal aid	3,918	-
Total Cash Receipts	<u>5,511</u>	<u>564</u>
Expenditures		
Instruction	2,131	3,944
General Administration	-	-
Total Expenditures	<u>2,131</u>	<u>3,944</u>
Receipts Over (Under) Expenditures	3,380	(3,380)
Unencumbered Cash, Beginning	<u>-</u>	<u>3,380</u>
Unencumbered Cash, Ending	<u><u>\$3,380</u></u>	<u><u>-</u></u>

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
RURAL GRANT FUND

Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$31,085	\$31,452
Total Cash Receipts	31,085	31,452
Expenditures		
Instruction	31,085	31,452
	-	-
Total Expenditures	31,085	31,452
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	-	-

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
TITLE II A FUND
Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$24,444	\$24,732
Total Cash Receipts	24,444	24,732
Expenditures		
Instruction	24,444	24,732
Total Expenditures	24,444	24,732
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	-	-

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
TRC GRANT FUND

Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
ARRA federal aid	\$80,000	\$45,000
Total Cash Receipts	80,000	45,000
Expenditures		
Instruction	79,732	45,268
Total Expenditures	79,732	45,268
Receipts Over (Under) Expenditures	268	(268)
Unencumbered Cash, Beginning	-	268
Unencumbered Cash, Ending	\$268	-

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
TITLE IV FUND

Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$2,662	-
Total Cash Receipts	2,662	-
Expenditures		
Instruction	2,662	-
Total Expenditures	2,662	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	-	-

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
MINI-GRANTS FUND

Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Grants	\$2,000	-
Total Cash Receipts	2,000	-
Expenditures		
Instruction	1,348	363
Total Expenditures	1,348	363
Receipts Over (Under) Expenditures	652	(363)
Unencumbered Cash, Beginning	4,529	5,181
Unencumbered Cash, Ending	\$5,181	\$4,818

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
BOND AND INTEREST FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	\$82,603	\$108,359	\$106,628	\$1,731
Delinquent tax	3,142	3,961	2,911	1,050
Motor vehicle tax	28,529	23,580	22,479	1,101
Interest	80,000	-	-	-
Other			25,000	
State Sources				
State aid	232,131	251,514	251,514	-
Total Cash Receipts	451,405	417,414	\$408,532	\$3,882
Expenditures				
Debt Service				
Principal	-	50,000	\$50,000	-
Interest	400,225	399,131	399,132	1
Other	-	-	100	100
Total Expenditures	400,225	449,131	\$449,232	\$101
Receipts Over (Under) Expenditures	51,180	(31,717)		
Unencumbered Cash, Beginning	229,691	280,871		
Unencumbered Cash, Ending	\$280,871	\$249,154		

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
CAPITAL PROJECTS FUND

Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Interest on idle funds	-	-
Reimbursements	\$161,970	-
Total Cash Receipts	161,970	-
Expenditures		
Instruction	127,884	15,841
Construction	350,309	-
Repair/Remodel Buildings	282,425	17,063
Total Expenditures	760,618	32,903
Receipts Over (Under) Expenditures	(598,648)	(32,903)
Unencumbered Cash, Beginning	638,173	39,525
Unencumbered Cash, Ending	<u>\$39,525</u>	<u>\$6,621</u>

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
APTUS GRANT FUND
Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		✓
Miscellaneous	-	-
Total Cash Receipts	-	-
Expenditures		
Bond Principal	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	378	378
Unencumbered Cash, Ending	<u>\$378</u>	<u>\$378</u>

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
LESSLEY SCHOLARSHIP FUND
Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Donations	15,000	20,065
Interest	-	-
Total Cash Receipts	15,000	20,065
Expenditures		
Scholarships	16,464	20,000
Total Expenditures	16,464	20,000
Receipts Over (Under) Expenditures	(1,464)	65
Unencumbered Cash, Beginning	6,785	5,320
Unencumbered Cash, Ending	\$5,320	\$5,385

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
AGENCY FUNDS

Statement of Cash Receipts and Cash Disbursements
For the Fiscal Year Ended June 30, 2011

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
Agency Funds				
Student Organizations				
Chetopa High School	\$27,118	\$89,582	\$73,812	\$42,888
St Paul High School	38,147	77,584	73,516	42,215
	<u>\$65,264</u>	<u>\$167,167</u>	<u>\$147,328</u>	<u>\$85,103</u>
Totals				

The notes to the financial statements are an integral part of this statement.

CHETOPA - ST PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
DISTRICT ACTIVITY FUNDS

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
 For the Fiscal Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balances	Cash Receipts	Expenditures	Ending		Plus Encumbrances and Accounts Payable	Cash Balances	
				Unencumbered Cash Balances	Unencumbered Cash Balances		2011	2010
Chetopa High School	\$3,259	\$32,394	\$30,339	\$5,313	\$5,313	-	\$5,313	\$3,259
St Paul High School	-	21,242	21,107	135	135	-	135	-
Total Gate Receipts	3,259	53,635	51,446	5,448	5,448	-	5,448	3,259
Totals	\$3,259	\$53,635	\$51,446	\$5,448	\$5,448	-	\$5,448	\$3,259

The notes to the financial statements are an integral part of this statement.

CHETOPA – ST. PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Chetopa – St. Paul Unified School District #505, Chetopa, Kansas, have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies follow. Note 1 describes how the District's accounting policies differ from accounting policies generally accepted in the United States of America.

Reporting Entity

The district is a municipal corporation governed by an elected seven-member board. These financial statements present Chetopa – St. Paul Unified School District #505 (the primary government). The District has developed criteria to determine whether outside agencies, with activities which benefit the members of the District, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises financial accountability, selection of governing authority, designation of management, ability to significantly influence operations, scope of public service and special financing relationships. Based on the above criteria, the District has determined that no outside agency meets the criteria; therefore, no outside agency has been included as a component unit in these financial statements.

Basis of Presentation - Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the Chetopa – St. Paul Unified School District #505:

GOVERNMENTAL FUNDS

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Funds - to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments which are general obligations of the District.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Presentation - Fund Accounting – (Continued)

Governmental Funds - Continued

Capital Projects Fund – to account for major construction projects which are financed by the issuance of bonds by the District.

FIDUCIARY FUNDS

Agency Funds - to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Basis of Presentation - Statutory Basis Financial Statements

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services, and are usually evidenced by a purchase order or written contract.

The District has obtained a waiver from accounting principles generally accepted in the United States of America, which allows the District to revert to the statutory basis of accounting.

Departures From Accounting Principles Generally Accepted in the United States of America

The basis of presentation described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue, principal and interest payable and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. General fixed assets that account for the land, building and equipment owned by the District are not recorded in the financial statements.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute) and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)
Budgetary Information (Continued)

1. Preparation of the budget for the succeeding fiscal year on or before August 1.
2. Publication in the local newspaper of the proposed budget and a notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after the publication of a notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The General Fund and Supplemental General Fund budgets were reduced to the legal maximum by the Kansas Department of Education.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the cash basis of accounting, modified further by the recording of accounts payable and encumbrances. Revenues are recognized when cash is received. Expenditures include cash disbursements, accounts payable and encumbrances. Encumbrances are commitments of the district for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for fiduciary funds.

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

Cash and Investments

Cash and investments include money market checking accounts, certificates of deposit, and repurchase agreements. Kansas statutes permit investment in savings accounts, certificates of deposit, repurchase agreements, and obligations of the U.S. Treasury.

Compensated Absences

Full-time non-certified employees are eligible for vacation benefits ranging from 10 to 20 days a year. Employees are allowed to accumulate and carry forward unused vacation benefits. The amount payable for these benefits at June 30, 2011, is not material.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)
Compensated Absences (Continued)

Employees can accrue from 10 to 12 days of sick leave each year. Up to 80 days of unused sick time may be accumulated and carried over. Upon retirement certified staff with more than 5 years experience with the District are paid for accumulated sick leave at the rate of ranging from 25-100% of the substitute teacher pay rate based upon their years of service to the District. The current substitute rate is \$90 per day.

The District accrues a liability for compensated absences which meet the following criteria:

1. The District's obligation relating to the employee's right to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated and is material to the financial statements.

In accordance with the above criteria the District has not determined a liability for vacation or sick pay.

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property.

2. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Compliance with Kansas Statutes

Statements 1 and 2 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As these statements show, there were no apparent violations of the cash basis and budget laws of Kansas. The apparent cash basis violation in the general and supplemental general funds is not an actual violation and is discussed further in Note 11.

3. **CASH IN BANK AND DEPOSITORY SECURITY**

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

3. CASH IN BANK AND DEPOSITORY SECURITY (Continued)

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2011, as detailed in the table below.

At June 30, 2011 the District's carrying amount of deposits was \$2,390,404 and the bank balance was \$2,905,849. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$296,771 was covered by federal depository insurance.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

FINANCIAL INSTITUTIONS

<u>RISK CATEGORIES</u>	<u>CHETOPA STATE BANK</u>	<u>EXCHANGE STATE BANK</u>	<u>TOTALS</u>
(1) FDIC Insurance	\$ 251,505	\$ 45,266	\$ 296,771
(1) Collateralized with pledged securities held in the District's account	-	-	-
(2) Collateralized with pledged securities in Bank's account	2,609,078	-	2,609,078
(3) Uncollateralized	-	-	-
TOTAL BANK BALANCES	\$ 2,860,583	\$ 45,266	\$ 2,905,849
Total Pledged Securities	\$ 2,967,549	\$ -	\$ 2,967,549

4. PENSION PLAN

Plan Description. The District participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary for employees hired before July 1, 2009. For employees hired after that date, the employee contribution rate is 6% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERs according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. State law sets a limitation on annual increases in the contribution rates. For fiscal year ended June 30, 2011 the State of Kansas contributes 9.17% of covered payroll. Kansas' contributions to KPERs for school municipality employees for the years ending June 30, 2011, 2010, and 2009 were \$253,834,044, \$248,468,186, and \$242,277,363, respectively, equal to the statutory required contributions for each year. The amounts attributable to the District for the years ending June 30, 2011, 2010, and 2009 were \$211,983, \$243,755, and \$217,909.

5. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The District continues to carry commercial insurance for these risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

6. CONTINGENCIES

In the normal course of operations, the District participates in various federal or state grant programs from year to year. The grant programs are often subject to additional audits by agents of the grant agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

7. TRANSFERS

FROM	TO	STATUTORY AUTHORITY	AMOUNT
General	Special Education	KSA 72-6420	\$ 465,000
General	Capital Outlay	KSA 72-8803	3,000
General	K-12 At Risk	KSA 72-6414a	450,000
General	Virtual Education	KSA 72-8250	40,000
General	Vocational Education	KSA 72-6421	35,000
Supplemental General	Professional Development	KSA 72-9609	5,000

7. **TRANSFERS** (Continued)

FROM	TO	STATUTORY AUTHORITY	AMOUNT
Supplemental General	Food Service	KSA 72-6424	20,000
Supplemental General	Special Education	KSA 72-6420	131,667
Supplemental General	Vocational Ed	KSA 72-6421	60,000
Supplemental General	Virtual Education	KSA 72-6421	5,000

8. **POST EMPLOYMENT BENEFITS**

Participation in Group Health Insurance Plan

As provided by K.S.A. 12-5050, the District allows retirees to participate in the group health insurance plan until they reach age 65. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

9. **SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date of the Independent Auditors' Report as shown on page 2 of these financial statements. There are no subsequent events recognized in these financial statements or disclosed in the notes to the financial statements.

10. LONG TERM DEBT OBLIGATIONS

Attached are schedules detailing the long-term debt and its matu

Schedule of Changes in Long-Term Debt

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balances		Reductions / Principal Paid	Balances End of Year	Interest Paid
					Beginning of Year	New Debt Additions			
General Obligation Refunding Bonds Series 2007	4.375-4.75%	8/15/2007	\$8,500,000	10/1/2037	\$8,500,000	\$ -	\$ 50,000	\$8,450,000	\$399,131
Qualified Zone Academy Bonds	0.00%	10/1/2003	949,355	10/1/2013	379,740	-	94,935	284,805	-
					<u>\$8,879,740</u>	<u>\$ -</u>	<u>\$ 144,935</u>	<u>\$8,734,805</u>	<u>\$399,131</u>

10. **LONG TERM DEBT OBLIGATIONS** (Continued)

Schedule of Maturities in Long-Term Debt

	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	Totals
PRINCIPAL											
General Obligation Bonds											
Series 2007	\$ 75,000	\$ 80,000	\$ 100,000	\$ 100,000	\$ 115,000	\$ 805,000	\$ 1,260,000	\$ 670,000	\$ 2,180,000	\$ 3,065,000	\$ 8,450,000
Qualified Zone Academy Bonds	94,935	94,935	94,935	-	-	-	-	-	-	-	284,805
Total Principal	169,935	174,935	194,935	100,000	115,000	805,000	1,260,000	670,000	2,180,000	3,065,000	8,734,805
INTEREST											
General Obligation Refunding											
Series 2007	396,397	393,006	389,069	384,694	379,991	1,828,893	1,608,588	1,293,425	883,263	218,381	7,775,707
Qualified Zone Academy Bonds	-	-	-	-	-	-	-	-	-	-	-
Total Interest	396,397	393,006	389,069	384,694	379,991	1,828,893	1,608,588	1,293,425	883,263	218,381	7,775,707
Total Principal and Interest	\$ 566,332	\$ 567,941	\$ 584,004	\$ 484,694	\$ 494,991	\$ 2,633,893	\$ 2,868,588	\$ 1,963,425	\$ 3,063,263	\$ 3,283,381	\$ 16,510,512

11. **COMPLIANCE WITH K.S.A. 72-6417(d) AND K.S.A. 72-6434(d)**

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require school districts, to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by these statutes.

GENERAL FUND

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET

For the Fiscal Year Ended June 30, 2011

(With Comparative Statutory Amounts for the Year Ended June 30, 2008)

	Prior Year Statutory	Current Year		Variance - Favorable (Unfavorable)
		Statutory	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	\$210,440	\$209,686	\$200,075	\$9,611
Delinquent tax	4,813	6,631	7,661	(1,030)
Mineral tax	307	279	-	279
Other	16,654	11,247	-	11,247
State Sources				
General aid	3,247,355	2,993,921	3,327,545	(333,624)
Special ed aid	431,182	463,706	514,000	(50,294)
Federal Sources				
Education Jobs Fund	-	128,610	-	128,610
ARRA Stabilization	196,619	73,450	73,450	-
Total Cash Receipts	4,107,369	3,887,530	\$4,122,731	(\$363,811)
Expenditures				
Instruction	1,748,209	1,817,375	\$1,713,000	(\$104,375)
Support Services				
Student Support	129,988	21,005	138,000	116,995
Instructional Support	136,138	84,694	114,150	29,456
General Administration	122,712	139,586	134,000	(5,586)
School Administration	87,083	41,182	49,000	7,818
Operations and Maintenance	526,227	561,053	524,005	(37,048)
Transportation	136,091	135,181	139,500	4,319
Other Supplemental Service	94,936	94,935	141,076	46,141
Operating transfers to:				
Vocational Education	25,000	35,000	35,000	-
Capital Outlay	106,504	3,000	-	(3,000)
Food Service	-	-	-	-
Professional Development	-	-	-	-
Special Education	432,000	465,000	515,000	50,000
4 Yr Old At Risk	17,000	-	25,000	25,000
K-12 At Risk	500,000	450,000	530,000	80,000
Contingency Reserve	-	-	-	-
Virtual Education	45,000	40,000	65,000	25,000
Adjustments to Budget For:				
Legal Max Budget Adjustment	-	-	(245,967)	(245,967)
Reimbursed Expenses	-	-	11,247	11,247
Total Expenditures				
Subject to Budget	4,106,888	3,888,011	\$3,888,011	-
Receipts Over (Under) Expenditures	481	(481)		
Unencumbered Cash, Beginning	-	481		
Unencumbered Cash, Ending	\$481	-		

SUPPLEMENTAL GENERAL FUND

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET

For the Fiscal Year Ended June 30, 2011

(With Comparative Statutory Amounts for the Year Ended June 30, 2008)

	Prior Year Statutory	Current Year		Variance - Favorable (Unfavorable)
		Statutory	Budget	
Cash Receipts				
Local Sources				
Ad Valorem	\$374,369	\$361,263	\$378,061	(\$16,798)
Delinquent tax	9,353	11,990	14,030	(2,040)
Motor vehicle tax	56,464	59,816	55,945	3,871
Reimbursements	62,626	59,143	-	59,143
State Sources				
Supplemental aid	695,100	880,579	912,603	(32,024)
Federal Sources				
ARRA Stabilization	235,127	-	-	-
Total Cash Receipts	1,433,039	1,372,791	\$1,360,639	\$12,152
Expenditures				
Instruction	538,895	617,549	\$565,948	(\$51,601)
Support Services				
Student Support	401	116,299	500	(115,799)
Instructional Support	3,637	47,133	5,000	(42,133)
General Administration	134,887	143,322	164,000	20,678
School Administration	164,954	156,365	162,100	5,735
Operations & Management	28,209	22,106	25,000	2,894
Transportation	-	-	-	-
Other Supplemental Services	49,668	48,897	-	(48,897)
Operating Transfers to Other Funds				
Professional Development	30,000	5,000	20,000	15,000
Virtual Education	20,000	5,000	30,000	25,000
Summer School	-	-	10,000	10,000
Food Service	40,000	20,000	60,000	40,000
Special Education	216,148	131,667	150,000	18,333
Textbook Rental	30,000	-	-	-
Drivers Education	10,000	-	15,000	15,000
4 Yr Old At Risk	45,000	-	10,000	10,000
K - 12 At Risk	20,000	-	-	-
Vocational Education	105,000	60,000	140,000	80,000
Adjustments to Budget For:				
Legal Max Budget Adjustment			(43,354)	(43,354)
Reimbursed Expenses			59,143	59,143
Total Expenditures Subject to Budget	1,436,798	1,373,337	\$1,373,337	-
Receipts Over (Under) Expenditures	(3,759)	(547)		
Unencumbered Cash, Beginning	48,043	44,284		
Unencumbered Cash, Ending	<u>\$44,284</u>	<u>\$43,737</u>		

SUPPLEMENTAL INFORMATION

CHETOPA - ST. PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS
CHETOPA HIGH SCHOOL ACTIVITY FUND
Schedule of Cash Receipts, Cash Disbursements and Cash Balances
For the Fiscal Year Ended June 30, 2011

	Beginning Cash Balances	Cash Receipts and Transfers	Cash Disbursements and Transfers	Ending Cash Balances
<u>Student Activity Funds</u>				
Autograph Club	\$404.38	-	-	\$404.38
Spanish	519.25	58.23	-	577.48
College Book Fund	167.55	250.00	145.75	271.80
JH Play	-	500.00	-	500.00
Class of '09	598.36	-	598.36	-
Class of '10	582.35	-	582.35	-
Class of '11	2,629.32	-	2,629.32	-
Class of '12	915.68	10,686.95	8,195.26	3,407.37
Class of '13	1,058.74	685.21	380.13	1,363.82
Class of '14	-	879.32	24.73	854.59
Class of '15	-	5,514.22	4,612.23	901.99
Class of '16	-	4,945.54	3,190.23	1,755.31
Junior High Cheerleaders	1,008.71	1,109.35	1,054.39	1,063.67
HS Cheerleaders	755.18	1,823.30	2,327.70	250.78
Pep Club	496.94	-	496.94	-
Yearbook	3,836.81	4,786.41	6,526.38	2,096.84
FCCLA	297.59	1,504.23	1,275.76	526.06
Shop	235.34	1,018.13	658.27	595.20
Music	603.14	421.03	391.10	633.07
STUCO	1,115.71	1,421.80	1,367.43	1,170.08
Drama	-	22.00	22.00	-
FFA	7,587.42	47,014.55	34,718.69	19,883.28
General	400.00	6,157.93	3,966.26	2,591.67
Science Club	364.09	-	-	364.09
Elementary Book Fund	410.22	-	-	410.22
Staff Coffee Club	-	133.75	133.75	-
Varsity Club	425.48	-	-	425.48
National Honor Society	741.32	158.23	119.61	779.94
After School Program Fundraising	1,830.28	-	-	1,830.28
FBLA	133.76	492.28	395.27	230.77
Totals - Cash Basis	27,117.62	89,582.46	73,811.91	42,888.17
<u>District Activity Funds</u>				
Activity Fees	2,779.65	5,115.73	5,145.08	2,750.30
Scholars Bowl	-	450.75	450.75	-
Lunch Account	-	-	-	-
Athletics	478.86	26,827.23	24,743.34	2,562.75
Total - Cash Basis	3,258.51	32,393.71	30,339.17	5,313.05
GRAND TOTALS (MEMORANDUM ONLY)	\$30,376.13	\$121,976.17	\$104,151.08	\$48,201.22

CHESTOPA - ST. PAUL UNIFIED SCHOOL DISTRICT #505
CHESTOPA, KANSAS
ST. PAUL HIGH SCHOOL ACTIVITY FUND

Schedule of Cash Receipts, Cash Disbursements and Cash Balances
For the Fiscal Year Ended June 30, 2011

	Beginning Cash Balances	Cash Receipts and Transfers	Cash Disbursements and Transfers	Ending Cash Balances
<u>Student Activity Funds</u>				
<u>Student Organizations</u>				
Student Activity	171.79	1,120.91	1,260.19	32.51
Band	458.52	148.00	450.74	155.78
Teacher Fund	30.63	171.80	202.43	-
Scholarship	19,344.00	11,063.26	9,588.03	20,819.23
Kidz	1,346.99	501.71	123.52	1,725.18
Book Fair	546.01	192.00	420.32	317.69
Elementary Library Book Fund	155.39	185.25	109.00	231.64
Elem. Teacher fund	626.95	5,836.42	4,255.28	2,208.09
SFA Books	0.37	-	-	0.37
Weight Room	35.40	-	-	35.40
JH Prep	378.87	499.36	712.83	165.40
HS Prep	12.48	2,416.76	2,053.31	375.93
STUCO	1,672.50	4,005.98	4,062.28	1,616.20
FBLA	2,361.72	1,865.70	1,613.72	2,613.70
Stand	36.00	268.00	270.08	33.92
Forensics	69.25	282.00	240.00	111.25
Counselor	-	400.00	-	400.00
NHS	-	-	-	-
FFA	3,037.91	23,398.56	21,648.69	4,787.78
Vo-Ag	-	3,972.31	3,972.31	-
Sales Tax	-	1,070.46	1,070.46	-
Class of '11	1,008.23	-	1,008.23	-
Class of '12	3,406.00	-	2,280.23	1,125.77
Class of '13	3,407.94	784.96	784.88	3,408.02
Class of '14	39.70	4,623.99	2,880.61	1,783.08
Class of '15	-	4,723.66	4,723.66	-
Sports Pictures	-	745.97	478.32	267.65
Annual	-	9,307.17	9,307.17	-
Total - Cash Basis	<u>38,146.65</u>	<u>77,584.23</u>	<u>73,516.29</u>	<u>42,214.59</u>
<u>District Activity Funds</u>				
Lunch	-	33,458.76	33,458.76	-
Textbooks	-	2,305.00	2,305.00	-
Athletics	-	21,241.57	21,106.57	135.00
Totals - Cash Basis	<u>-</u>	<u>21,241.57</u>	<u>21,106.57</u>	<u>135.00</u>
 GRAND TOTALS				
(MEMORANDUM ONLY)	<u>\$38,146.65</u>	<u>\$98,825.80</u>	<u>\$94,622.86</u>	<u>\$42,349.59</u>

CHETOPA - ST. PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011

FEDERAL GRANTOR / PASS THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	AMOUNT RECEIVED	AMOUNT EXPENDED
<u>U.S. Department of Agriculture</u>			
Passed Through the State of Kansas			
Department of Education:			
School Breakfast Program	10.553	\$ 41,999	\$ 41,999
National School Lunch Program	10.555	126,988	126,998
Fresh Fruits and Vegetables Program	10.582	4,472	4,472
		<u>173,459</u>	<u>173,469</u>
<u>U.S. Department of Education</u>			
Direct Program			
REAP Grant	84.358	31,452	31,452
Passed Through the State of Kansas			
Department of Education:			
Title I	84.010	132,994	132,994
Title II - Improving Teacher Quality	84.367	24,732	24,732
Title II - Tech Literacy Program	84.318	564	3,944
Title I - ARRA	84.389	78,382	78,382
Education Jobs Fund	84.410	128,610	128,610
ARRA Stabilization	84.394	73,450	73,450
Title II - Tech Literacy ARRA	84.386	45,000	45,000
		<u>515,184</u>	<u>518,564</u>
TOTALS		<u>\$ 688,643</u>	<u>\$ 692,033</u>

Diehl Banwart Bolton

Certified Public Accountants P.A.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARDS PROGRAMS

Board of Education
Chetopa – St. Paul Unified School District #505
Chetopa, Kansas

Compliance

We have audited the compliance of Chetopa – St. Paul Unified School District #505 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the compliance of the District based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Chetopa – St. Paul Unified School District #505 complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2011 .

Internal Control Over Compliance

The management of Chetopa – St. Paul Unified School District #505 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis, by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and it is not intended to be and should not be used by anyone other than these specified parties.

Diehl Banwart Bolton CPA's PA

DIEHL, BANWART, BOLTON, CPAs P.A.

October 25, 2011
Pittsburg, Kansas

Diehl Banwart Bolton

Certified Public Accountants PA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Chetopa – St. Paul Chetopa Unified School District #505
Chetopa, Kansas

We have audited the financial statements of Chetopa – St. Paul Unified School District #505 as of the year ended June 30, 2011, and have issued our report thereon dated October 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (2011-1). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention of those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The District's response to the findings identified in our audit is described in the Corrective Action Plan. We did not audit the District's response and accordingly, we express no opinion on it.

We noted certain matters that we reported to Management of the District in a separate letter dated October 25, 2011.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Diehl Banwart Bolton CPA'S PA

DIEHL, BANWART, BOLTON, CPAs P.A.

October 25, 2011
Pittsburg, Kansas

**CHETOPA – ST. PAUL UNIFIED SCHOOL DISTRICT #505
CHETOPA, KANSAS**

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS:

Type of auditors' report issued:

- Adverse for departures from accounting principles generally accepted in the United States of America due to preparation of financial statements in accordance with the statutory basis of accounting.
- Unqualified opinion on the statutory basis financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? __ YES X NO
- Significant deficiency(ies) identified that are not considered to be material weaknesses? NONE
X YES __ REPORTED

Noncompliance material to financial statements noted? __ YES X NO

FEDERAL AWARDS:

Internal control over major programs:

- Material weakness(es) identified? __ YES X NO
- Significant deficiency (ies) identified that are not considered to be material weaknesses? NONE
__ YES X REPORTED

Type of auditors' report issued on compliance for major programs: UNQUALIFIED

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? __ YES X NO

IDENTIFICATION OF MAJOR PROGRAMS:

<u>CFDA #</u>	<u>NAME OF PROGRAM</u>
10.553 & 10.555	School Lunch Cluster
84.010 & 84.389	Title I Cluster

Auditee qualified as low-risk auditee? __ YES X NO

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2011-1 Drafting Financial Statements

Condition: As auditors, we provide significant assistance with adjusting entries, as well as determining which disclosures are required under generally accepted accounting standards and the statutory basis of accounting.

Criteria: Internal controls should be in place that provide a reasonable assurance that the financial statements are appropriate in form and contain the required disclosures.

Cause: Relying upon the independent auditors is a significant deficiency in internal controls as they can not be considered part of the District's internal control.

Effect: The District relies on independent auditors to determine the financial statements are in the correct form and include the proper disclosures.

Recommendation: None

Response: The District agrees with the finding. The District's response is in the attached Corrective Action Plan.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CHETOPA – ST. PAUL UNIFIED SCHOOL DISTRICT #505

June 30, 2011 Financial Statements

Corrective Action Plan

Audit Finding 2011-1

Chetopa – St. Paul USD #505 has always relied upon its auditors to provide significant assistance with adjusting entries and with determining which disclosures were required under generally accepted accounting principles and the statutory basis of accounting. While Chetopa – St. Paul USD #505 understands that this is a significant deficiency in our internal controls, we believe it is the most cost effective manner for us to produce our financial statements. Our accounting staff concentrate on providing the reports needed for management purposes and preparing the required reports for the Kansas Department of Education. We believe it would be inefficient and cost prohibitive for our staff to attempt to stay current on all the requirements of GAAP and the statutory basis of accounting. We do not plan on making any changes at this time. However, we will monitor this situation and periodically determine if it is cost effective for us to perform these functions.